

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /090 W  
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R 160950Z AUG 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2145

C O N F I D E N T I A L JIDDA 5709

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: POSSIBLE U.S./PETROMIN MINING VENTURE; STORIES OF  
DISSENSION IN THE MINISTRY OF PETROLEUM

1. UTAH INTERNATIONAL IS NOW ATTEMPTING TO CONCLUDE IN-DEPTH  
NEGOTIATIONS WITH PETROMIN AND THE MINISTRY OF PETROLEUM AND  
MINERALS (MPM) FOR AN EXPLORATION CONTRACT (COPPER). UNBEKNOWNST TO  
THE HOME OFFICE IN SAN FRANCISCO, THE AUSTRALIAN DIVISION OF  
THE FIRM HAD UNDERTAKEN A SURVEY IN SAUDI ARABIA, AND REACHED  
THE POINT OF SIGNING A CONTRACT. WHEN THE HOME OFFICE FINALLY  
GOT WIND OF WHAT WAS UNDERWAY, THEY EXAMINED THE EFFORT AND  
DISCOVERED THE AGREEMENT WOULD HAVE BEEN DISASTROUS FOR THEM.  
(ACCORDING TO MR. T.S. ARY, MANAGER OF THE DEVELOPMENT DEPART-  
MENT, AUSTRALIAN DIVISION, THE AUSTRALIAN SUBSIDIARY FAILED TO  
TAKE U.S. TAX LAW INTO CONSIDERATION.)

2. THE FIRM IS NOW FACED WITH THE NECESSITY OF NEGOTIATING A  
CONTRACT ON EXPLOITATION WITH PETROMIN AT THE SAME TIME IT  
NEGOTIATES ITS EXPLORATION CONTRACT WITH THE MPM. THE  
LATTER HAS GONE SMOOTHLY. THE FORMER IS HUNG UP ON  
UTAH INSISTANCE THAT THE SAUDIS PROVIDE GUARANTEES  
REGARDING REPATRIATION OF CAPITAL, AND ASSURANCES THAT  
THE FIRM MAY POSTPONE DEPRECIATION OF ASSETS UNTIL AFTER  
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THE FIVE YEAR TAX HOLIDAY.

3. ACCORDING TO ARY, MIN PET YAMANI IS VERY ANXIOUS TO SEE THE AGREEMENT SIGNED. PETROMIN GOVERNOR TAHER, HOWEVER, IS OUT OF TOWN. ARY HAS BEEN GIVEN TO BELIEVE THAT YAMANI IS VERY ANXIOUS TO GET AN AGREEMENT IN ORDER TO BOLSTER HIS POSITION IN THE COUNCIL OF MINISTERS, A POSITION WHICH MIGHT BE VULNERABLE AFTER RAMADAN (AROUND OCTOBER OR NOVEMBER). ARY BELIEVES ALL THIS MAY SIGNAL A FALL OUT BETWEEN YAMANI AND TAHER AND/OR A POWER STRUGGLE BETWEEN TAHER AND GHAZI SULTAN, DIRECTOR GENERAL OF MINERALS IN MPM.

4. WE ADVISED ARY AGAINST ANY FORM OF NEGOTIATIONS WITH YAMANI WHICH COULD BE CONSIDERED AS AN EFFORT TO GO OVER TAHER'S HEAD. WE SUGGESTED HE LEAVE OPEN THE OPPORTUNITY FOR YAMANI TO CALL UTAH REPS IN, WHILE MAKING SURE THAT TAHER WAS FULLY INFORMED IN SUCH AN EVENT. WE ALSO CAUTIONED ARY AGAINST EVEN THE APPEARANCE OF MEDDLING IN MPM POLITICS.

5. COMMENT: THIS IS NOT THE FIRST TIME YAMANI'S POSSIBLE DEMISE HAS BEEN RAISED IN RECENT MONTHS. SO FAR, HOWEVER, WE HAVE NO REASON TO BELIEVE HIS POSITION OF STRENGTH HAS CHANGED. ALL THE EVIDENCE, IN FACT, POINTS TO THE CONTRARY. IT SEEMS LIKELY THAT ARY'S PRINCIPAL INFORMANT IS GHAZI SULTAN, WHO MAY HAVE REASON FOR SOWING DISSENSION IN THE MINISTRY. SULTAN IS NOW NUMBER TWO TO AN ELDERLY AND NOT EXTREMELY DYNAMIC DEPUTY MINISTER FOR MINERALS (FADL KABBANI) AND NO DOUBT IS READY TO MOVE UP THE LADDER.

6. WE WILL BE KEEPING A CLOSE EYE ON DEVELOPMENTS WITHIN THE MPM IN THE NEXT FEW MONTHS, AND EXPECT TO HEAR A FOLLOW-UP FROM UTAH INTERNATIONAL NEXT WEEK.  
HORAN

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## Message Attributes

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